Title: The 'alcopops' tax - heading in the right direction

There is strong evidence that increasing the cost of alcohol reduces the overall amount that is consumed.[1] In a range of countries, price increases have been consistently shown to reduce alcohol consumption and related harms in both the general population and at-risk populations such as young people and heavy drinkers. Conversely, price decreases have resulted in an increase in consumption and harm.[1-3] In this context the Australian Government's April 2008 increase in excise tax (Bill introduced in February 2009) on ready-to-drink (RTD) spirit-based products ('alcopops') is an evidence-based strategy to reduce excessive RTD consumption amongst young people. The alcoholic content of RTDs is now taxed at a similar rate to other spirits (increased from $39.36 per litre of pure alcohol to $66.67).

Critics have argued that the RTD tax increase has not reduced alcohol consumption by young people and will not do so. One claim is that young people will merely switch to other beverages. These arguments have been made by some from the alcohol industry and some researchers. Doran and Shakeshaft, for example, argued that young people, '… seem to be price inelastic about their alcohol demand'.[4, p.702] Citing a national school survey, they claimed that: 'spirits are by far the beverage of choice for the 45% of 16–17-year-old Australians who drink, despite spirits being the most highly taxed beverage in Australia, and the most expensive per litre of alcohol'. This is not evidence for price inelasticity. They also argued that; '…overall rates of usual or binge consumption in Australia are unlikely to substantially fall because spirits hold a smaller market share than beer (table), and young people will more than likely switch their preference'[4, p.702]. The weight of scientific evidence suggests otherwise– that overall consumption is likely to decline because young people's demand for alcohol is elastic.[1-3]

The survey series upon which Doran and Shakeshaft rely shows that beverage preferences vary between boys and girls and over time. In 1999, before a reduction in tax and the retail price of RTDs in 2000, RTDs were the preferred beverage of about 23% of 12-17 year-old female drinkers. By 2005, after the tax decrease, 48% of young females drank RTDs, while the preference for higher taxed spirits fell from 42% to 30%. For 12-17 year-old males, RTD consumption increased from 6% to 14%, a small share compared to spirits (39%) and beer (33%).[5] Although new products and marketing strategies may have contributed to this substantial change, these data suggest that young Australians, like their counterparts in other countries[2], do alter their beverage choices in response to price changes.

Definitive statements about the impact of the 'alcopops tax' are premature in the absence of independent alcohol sales data. It is regrettable that there are no readily available, official monthly sales data for all alcoholic beverages such as the detailed monitoring that we know is conducted by private industry.[6] However, available evidence does indicate that the tax has reduced sales of RTDs and the reduction was far from wholly offset by a switch to other beverages.

A market research company which regularly compiles reports on sales of alcohol products has estimated national monthly sales of packaged alcohol (sold for off-premise consumption by liquor licensees across the five mainland states of Australia) by beverage type, for 2007 and 2008 (see Table 1)[7]. These data show that in the three

months after the April 2008 tax increase, 91 million fewer standard drinks were sold as RTDs than in the same months in the previous year. Standard drinks sold as spirits (35 million) and beer (13 million) increased but wine sales decreased (21 million). The increase in spirit and beer sales (48 million standard drinks) was only 53% of the 91 million fewer RTD drinks sold.

A decline in RTD sales was also reported on the basis of Australian Tax Office data. These showed a 54% reduction in sales of RTDs and a 7% increase in spirit sales from April to June 2008.[8] In presenting the Customs Tariff Amendment Bill to Parliament, the Minister for Health and Ageing confirmed that: 'Tax Office figures drawn from the first nine months of this measure show that alcopops sales have dropped by 35 per cent compared to the previous year.'[9]

Critics have been hasty in predicting that young people's drinking would be unresponsive to the RTD tax increase. In keeping with a large body of research evidence, the early indications are that RTD sales declined in the first few months following the tax increase. Previous research suggests that this decline in alcohol sales (a reliable proxy for consumption[10]) will produce a public health benefit [1-3]. Further investigation is needed to determine specifically in which population group(s) the benefit accrues, for example, whether this reduction in RTD purchases occurred primarily among young drinkers (the target of the tax increase) and what other factors may have contributed to the reduction. Informed policy debate requires independent evaluations of short- and long-term effects of these tax changes on consumption and harm indicators (e.g. injuries). Nevertheless, the evidence to date is that the 'alcopops' tax is a step in the right direction.

[Table 1 here]

References

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Table 1: Number of standard drinks[1] consumed by beverage type,
May to July, 2007 and 2008 (Source: Nielsen Liquor Services Group (NLSG) 2008)

	May to July (Million standard drinks consumed)			
	2007	2008	Difference in million standard drinks +/-	% change
RTD	348	257	-91	-26.1
Beer	886	899	13	1.5
Wine	797	776	-21	-2.6
Spirits	313	348	35	11.2
Total	2,344	2,280	-64	-2.7

[1]One standard drink = 10grms pure alcohol. To accurately convert beverage volumes to pure alcohol, the NLSG applies alcohol conversion factors at the sub-segment level for beer (eg regular, mid, low strength beer) and RTDs. Average alcohol contents by beverage type: RTDs 5.0%; beer 4.8%; straight spirits 38.0%; and wine 13%.